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**UNITED STATES DISTRICT COURT
FOR THE
DISTRICT OF NEW JERSEY**

**COMMODITY FUTURES TRADING)
COMMISSION,)**

Plaintiff,)

vs.)

**EQUITY FINANCIAL GROUP, LLC,)
TECH TRADERS, INC., TECH)
TRADERS, LTD., MAGNUM)
CAPITAL INVESTMENTS, LTD.,)
MAGNUM INVESTMENTS, LTD.,)
VINCENT J. FIRTH, ROBERT W.)
SHIMER, COYT E. MURRAY, and J.)
VERNON ABERNETHY,)**

Defendants.)

Civil Action No.: 04CV 1512

Honorable Robert B. Kugler

**TENTH APPLICATION OF EQUITY RECEIVER
AND SACHNOFF & WEAVER, LTD. FOR INTERIM
COMPENSATION AND EXPENSE REIMBURSEMENT**

Stephen T. Bobo, as Equity Receiver (the "Receiver") for Defendants Equity Financial Group, LLC, Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Ltd., Magnum Capital Investments, Ltd., Vincent J. Firth, and Robert W. Shimer, and his principal counsel, Sachnoff & Weaver, Ltd. ("Sachnoff & Weaver"), file this application with the Court requesting an award of interim compensation and expense reimbursement for services rendered from July 1, 2006 through September 30, 2006. The Receiver and Sachnoff & Weaver (collectively the

“Applicants”) seek interim compensation in the amount of \$101,484.25 and reimbursement of expenses in the amount of \$1,963.46.

BACKGROUND AND CASE STATUS

1. The Commodity Futures Trading Commission (the “CFTC”) filed a Complaint and Motion for *Ex Parte* Statutory Restraining Order with the Court on April 1, 2004, seeking injunctive relief and civil monetary penalties against Defendants Tech Traders, Inc., Equity Financial Group, LLC, Vincent J. Firth, and Robert W. Shimer (the “Complaint”). On the same day, the Court granted the CFTC’s motion for the restraining order and appointed Stephen T. Bobo as Temporary Equity Receiver for these Defendants and their assets.

2. Later that month, with the Court’s approval, the Receiver employed counsel and an accounting firm to assist him with administering the receivership estate. The Receiver engaged Sachnoff & Weaver as his principal counsel, Pepper Hamilton LLP as his local counsel in New Jersey, and FG MK, LLC as his accountant. At this time, these firms continue to assist the Receiver.

3. On August 12, 2004, the CFTC amended its Complaint to name five additional Defendants – Tech Traders, Ltd., Magnum Investments, Ltd., Magnum Capital Investments, Ltd., Coyt E. Murray, and J. Vernon Abernethy – based on additional facts that emerged from the CFTC’s ongoing investigation of the Defendants and their business affairs. Within two weeks, all named Defendants consented to the Court’s entry of a preliminary injunction. Under these preliminary injunction orders, the Court appointed Mr. Bobo as the Equity Receiver for Tech Traders, Inc., Tech Traders, Ltd., Magnum Investments, Ltd., Magnum Capital Investments, Ltd., Equity Financial Group, LLC, Vincent Firth, and Robert Shimer (the “Receivership Defendants”).

4. In June 2004, the Receiver filed a motion to approve an investor claim process to identify the investors who placed funds with the Receivership Defendants. With the Court's approval, in late August 2004, the Receiver distributed claim forms to all entities and individuals identified as possible investors through Shasta Capital Associates, LLC ("Shasta"), the pool managed by Equity Financial Group, LLC ("Equity"), or directly with Tech Traders. The Receiver distributed approximately 170 claim forms and received in return 105 proofs of claim from investors.

5. In early January 2005, following his review and analysis of these proofs of claim, the Receiver filed a motion for authority to make an interim distribution on account of investor claims. Later that month, the Receiver provided investors with notice of his proposed plan of distribution. The Court considered and overruled various objections and approved the proposed plan of distribution as modified.

6. The Receiver filed formal objections to 28 proofs of claim in late March 2005. These objections ultimately required resolution by the Court. Throughout 2005, the Receiver and his counsel worked to resolve these claim disputes, and in most cases, those efforts were successful.

7. As for the remaining claim disputes, Magistrate Donio entered an order directing six claimants, who originally failed to respond to the Receiver's objections, to appear at a November 2, 2005 hearing and show cause why their claims should not be disallowed. At this hearing, none of those six claimants appeared, but two Tier 2 investors (who invested with Tier 1 investor Dream Venture Group) were present. They both sought for their claims to be treated as Tier 1 claims for purposes of distribution. Magistrate Judge Donio heard evidence on their requests and on June 19, 2006, she issued a Report and Recommendation calling for the

disallowance of the claims of the non-responding investors and overruling the requests of the Tier 2 investors. This Report and Recommendation remains pending before this Court.

8. The Receiver and his counsel, with the assistance of the CFTC, continue to work through the challenges involving the disputed claims of the Sterling entities. During the course of the last year, the Receiver made significant progress with regard to the Sterling Trust (Anguilla) account at Man Financial. In late February 2006, the Receiver and the Sterling entities reached a settlement agreement regarding the funds held in this account. The Receiver sought and obtained Court approval of the settlement, which will return approximately \$750,000 to the Tech Traders' estate. In light of the possibility of uncertainty regarding entitlement to funds, however, the Receiver has delayed the disbursement of these funds. Among other things, the Receiver needs to ensure that one or more injured third parties has no claim of entitlement to some or all of the settlement proceeds and that the settlement proceeds are disbursed to the beneficial owner(s). The Receiver is seeking further information supporting the interest of the beneficial owner in the funds. The Receiver has also discussed with Sterling's counsel the possibility of supplementing the previous settlement agreement to include an escrow arrangement for the funds that are to be released to Sterling ACS and Sterling Trust under the settlement. This escrow arrangement would not affect the funds to be returned to Tech Traders.

9. Unfortunately, the April 2006 indictments of Howell and Vernice Woltz – the principals of the Sterling entities – have complicated the Receiver's ability to obtain information and to resolve these Sterling issues and the disputed Sterling claims generally. The Woltzes are both being held in custody without bond until their trial. That trial is now scheduled for the Spring of 2007.

10. As a result of these developments, the Receiver has concluded that attempting to deal directly with the Sterling investors is likely to be the best way of handling distributions on

Sterling claims. However, these efforts are hamstrung by a lack of reliable information and supporting documentation. The records previously provided by Sterling have appeared neither complete nor reliable, including the lack of documentation from third-party financial institutions supporting the transfers of funds to Sterling entities and thereafter to Tech Traders. Although the Receiver hopes to resolve the remaining Sterling issues sufficient to propose a distribution, if it appears that he cannot do so within a reasonable time frame, he may propose an alternative means of dealing with the Sterling claims.

11. Throughout the third quarter of 2006, the Receiver has continued his communications with Sterling Tier 2 investors to determine whether it is feasible to make a provisional distribution directly to these investors. The Receiver distributed claim forms to these investors to obtain as much information from them as possible before formulating a recommendation regarding a distribution. At this time, the Receiver has received proofs of claim and supporting documentation from a number of investors, but many others have not responded. The Receiver has sent follow up correspondence to investors who provided incomplete claim forms and supporting documentation, as well as to those investors who failed to respond or in any way acknowledge the Receiver's initial request for information. In the coming months, the Receiver and his counsel will review all additional information that these Sterling investors may provide, along with all underlying facts, to determine the propriety and means of a distribution to them.

12. Other than the Sterling entities' claims, the only other claims that remain in dispute at this time are those of a few Tier 3 investors in Universe Capital Appreciation, LLC ("Universe"), which is an investment group that transferred over \$3 million to Shasta for investment purposes. In response to Magistrate Judge Donio's directive, the Receiver and his counsel sought Court approval for a proposed interim distribution directly to the investors of

Universe. The Receiver also submitted a motion to disallow certain Universe investor claims. At this time, the Universe distribution has been approved and consummated, and the Court granted in part and denied in part the Receiver's motion to disallow certain Universe investor claims. The Receiver plans to submit a renewed motion concerning the disputed claims that have not yet been disallowed.

13. During this quarter, the Receiver filed a motion for authority to implement a claim process for non-investor creditors of Tech Traders, Inc., Tech Traders, Ltd. and Equity. The motion also proposed sending notice to potential creditors of Magnum Capital Investments, Ltd. and Magnum Investments, Ltd. informing them that there are no assets available to distribute to them. The Receiver is reluctant to propose a second interim distribution to investors before first determining the total amount of non-investor claims against the Tech Traders entities and Equity. The Receiver intends to distribute claim forms to all persons believed to be non-investor creditors of the Tech Traders entities and Equity. Once initiated, this creditor claim process will likely take approximately 3 to 4 months to complete.

14. The Receiver and his counsel continue to investigate the Receivership Defendants' business affairs and, specifically, to review the actions of various third-party professional service firms that advised and counseled the Defendants. In these inquiries over the last year and a half, the Receiver has been aided in large part by the testimony of Defendant Shimer (given during his 5-day deposition) and the information disclosed by Defendant Murray (during a series of interviews involving the CFTC and the Receiver).

15. The Receiver and his counsel have completed their investigation of Elaine Teague, the former accountant for Shasta, and her accounting firm, Puttman & Teague and concluded that Puttman & Teague should bear responsibility for a portion of the Shasta investors' damages. In late 2005, The Receiver and his counsel contacted Puttman & Teague's

counsel to discuss the Receiver's findings. Thereafter, the parties engaged in settlement negotiations in an effort to resolve claims on behalf of the receivership estate. When these settlement negotiations reached a standstill, the parties agreed to mediate the dispute. After a daylong mediation with Judge Gillis (Ret.), a former Judge with the Circuit Court of Cook County, and subsequent discussions, the Receiver and his counsel reached a settlement framework with Teague and her firm. However, reducing that framework to a detailed written agreement required months of further discussions and negotiations, primarily because of Teague's potential third-party liability be minimized. At this time, the parties have finalized the terms of the settlement and the Receiver has filed a motion to approve it, upon notice to all Shasta investors.

16. Throughout the last three quarters, the Receiver and his counsel have also investigated the conduct of the companies through which certain Receivership Defendants traded commodity futures. As part of their investigation, the Receiver's counsel subpoenaed and reviewed relevant documents. The Receiver's counsel also prepared for and conducted the 30(b)(6) deposition of Man Financial Inc., one of the brokerage firms through which Tech Traders traded, and the deposition of Buck Haworth, the President of Born Capital, which was another of Tech Traders' commodity brokers. At this time, the Receiver has not asserted any claims against the brokerage firms.

17. During this quarter, the Receiver also pursued debts owed to the receivership estate by various parties who obtained loans from Tech Traders in 2003 and early 2004. The Receiver's counsel sent demand letters to these parties demanding repayment of the loan amounts owed to the estate plus interest. After sending letters, the Receiver and his counsel communicated with these parties in an effort to recover the outstanding debts. Ultimately, the Receiver expects to secure loan repayments totaling approximately \$78,000 for the benefit of the

receivership estate. The Receiver also has filed motions seeking approval of settlements with McDermott, Will & Emery, the former law firm of Teach Traders, and the former landlord for Tech Traders. These settlements will yield nearly \$140,000 for the Tech Traders' estate.

18. Through September 30, 2006, the Receiver maintains exclusive control of receivership funds totaling approximately \$8,974,220.48 million previously held by banking institutions Bank of America and Citicorp and brokerage firms Forex Capital Markets, Global Forex Trading, Man Financial, and Rosenthal Collins Group. Specifically, \$4,458,730.92 is held in general Tech Traders and Shasta receivership accounts and \$4,515,489.56 is maintained in reserve accounts for disputed claims against Tech Traders and Shasta. LaSalle Bank, N.A. continues to serve as the designated depository for these funds. Those accounts have been recently earning interest at rates in excess of 4.5%. The remaining frozen assets continue to be held in Man Financial account number 37923. According to a September 2006 account statement from Man Financial, these assets, which are primarily held in 10-year U.S. Treasury Notes, have an "account value at market" of \$1,803,987.86. The Receiver understands that the actual value of the Treasury Notes is significantly greater.

NATURE OF THE SERVICES RENDERED AND EXPENSES INCURRED

19. From July 1, 2006 through September 30, 2006, the Applicants seek compensation for 418.10 hours of services as Receiver and as counsel for the Receiver. For the Court's benefit in reviewing this application, the Applicants' services are divided into 8 categories:

- A. General estate administration;
- B. Communications with investors;
- C. Claims and distribution issues;
- D. Investigation of claims against third parties;

- E. Review of Defendants' transactions;
- F. Discovery;
- G. Court hearings and preparation of motions and other submissions; and
- H. Sterling investor claims.

A copy of Sachnoff & Weaver's statement of services by category is attached as Exhibit B to the Declaration of Stephen T. Bobo as Equity Receiver in Support of the Tenth Applications for Interim Compensation and Expense Reimbursement of Equity Receiver, Sachnoff & Weaver, Ltd. and Pepper Hamilton LLP and Eighth Application for Interim Compensation and Expense Reimbursement of FGMK, LLC.

20. In its April 1, 2004 Order, the Court directed the Receiver and his counsel to file fee applications on a quarterly basis. On October 18, 2006, the Applicants filed their ninth fee application with the Court for the period from April 1, 2006 through June 30, 2006 wherein they requested fees in the amount of \$125,509.50 and expenses in the amount of \$5,980.27. The Court has not yet entered a ruling on this fee application.

A. General Administration of the Estate

21. The Applicants seek compensation for 218.50 hours of professional services related to the administration of the receivership estate from July 1, 2006 through September 30, 2006. Among the services that the Receiver and his counsel performed in administering the estate are:

- Communicating regularly with attorneys and investigators for the CFTC regarding Sterling investor claims, Receivership Defendant creditor issues, the Puttman & Teague settlement agreement, the McDermott Will & Emery settlement agreement, and various other receivership issues;

- Communicating with attorneys for the Receivership Defendants regarding, among other things, the names and contact information for potential creditors;
- Preparing and filing the Receiver's Fifth Interim Report to the Court;
- In response to the Court's directive, preparing a detailed schedule that shows the status of all investor claims, which was included as an Exhibit to the Receiver's Fifth Interim Report to the Court;
- Communicating with non-investor creditors of the Tech Traders entities and Equity regarding the creditor claim process and outstanding obligations owed by these Defendants;
- Reviewing relevant documentation in an effort to compile names and contact information for non-investor creditors of the Tech Traders entities and Equity for use with the Receiver's motion for authority to initiate a creditor claim process;
- Preparing and filing the Receiver's motion for authority to implement a creditor claim process for non-investor creditors of the Tech Traders entities and Equity, along with a supporting memorandum and affidavit;
- Preparing fee applications for the Receiver and his counsel for the second quarter of 2006;
- Drafting updated text for the Shasta Capital Associates, LLC website (located at <http://www.shastacapitalassociates.com>);
- Communicating with Netrix, the consulting arm of the Receiver's accounting firm, about the images taken of the computer hard drives of Defendants Firth and Shimer; and
- Supervising Sachnoff & Weaver's Accounting Department and LaSalle Bank to ensure proper maintenance of the receivership accounts.

B. Communications With Investors

22. The Receiver and his counsel continue to communicate with investors about the status of the case and related distribution issues. The Applicants provided 7.40 hours of services in this category during the third quarter of 2006.

23. During this quarter, investors continue to reach out to the Receiver and his counsel with various questions and concerns relating to the receivership estate. Many of the Shasta and Tech Traders investors have inquired about the likelihood and timing of a second interim distribution. In addition, the Receiver and his counsel have been contacted by various individuals and representatives of trusts that invested with Tech Traders through the Sterling entities. These Tier 2 Sterling investors have contacted the Receiver in response to the claim forms distributed to them by the Receiver.

C. Claims and Distribution Issues

24. The Applicants seek compensation for 21.10 hours of professional services related to investor claims and distribution issues during the third quarter of 2006.

25. Based on Magistrate Judge Donio's directive, the Receiver and his counsel prepared and submitted to the Court for its approval a motion for authority to make an interim distribution directly to the Tier 3 investors of Universe. The Court entered an order approving this motion in April 2006. In compliance with this order, the Receiver sent explanatory correspondence and checks payable to these Universe investors in May 2006. Ultimately, the Receiver distributed over \$560,000 in receivership funds directly to these investors. The Receiver also submitted a motion to disallow certain Universe investor claims, which was granted in part and denied in part. The Receiver intends to renew the motion with respect to the relief that was not initially granted.

26. The Receiver continues to work through the remaining issues related to the Sterling entities' claims. The Receiver and the Sterling entities and their counsel reached a settlement agreement regarding the funds held in the Sterling Trust account at Man Financial, which was approved by the Court in March 2006. Under this agreement, the funds in the Tech Traders' estate will increase by approximately \$750,000. In light of the recent uncertainty over whether the ultimate beneficiary of the settlement actually deposited the funds in question, whether injured third parties may assert a claim of entitlement to some or all of the settlement proceeds and whether Sterling Trust (Anguilla) will be able to return its share of the settlement proceeds to the beneficial owner(s), the Receiver has delayed the disbursement of these funds and has initiated discussions with Sterling's counsel about the possibility of supplementing the previous settlement agreement. If sufficient information is not available, then one alternative possibility could be establishing an escrow arrangement for the funds that are to be released under the settlement. Such an escrow arrangement would not affect the funds to be returned to Tech Traders, Inc. pursuant to the agreement.

D. Investigation of Claims and Other Assets

27. The Applicants seek compensation for 90.45 of services related to investigating and pursuing causes of action against third parties from July 1, 2006 through September 30, 2006. During this quarter, the Receiver and his counsel have spent a significant amount of time pursuing claims on behalf of the receivership estate against Shasta's prior accountant, Puttman & Teague. Of the 94.50 hours of professional services performed in this category, 72.95 hours (totaling \$23,777.75 in compensation requested) directly relate to these efforts. The Receiver therefore suggests that the receivership funds held for Shasta should be used to pay for the Teague-related services since the settlement negotiated with Teague would benefit only Shasta investors.

28. Following the depositions of relevant parties, including Shimer and Teague, and their review and analysis of written discovery in the case, the Receiver and his counsel determined that Puttman & Teague should bear a share of responsibility for the Shasta investors' damages. As a result, the Receiver's counsel prepared a comprehensive damages analysis and draft complaint against Puttman & Teague, entered into a tolling agreement with Puttman & Teague, and participated in settlement discussions and a day-long mediation with the accounting firm's counsel. Assisted in part by the mediation, the parties have reached a settlement agreement, and the Receiver has recently filed a motion to approve the parties' settlement agreement. The Receiver also filed a lengthy memorandum and affidavit in support of this motion to specifically address the Court's authority to approve a settlement agreement of this nature. The Receiver has given a detailed notice to all Shasta investors to allow them the opportunity to voice any objections to the terms of this settlement.

29. The Receiver has also reached a settlement agreement with McDermott Will & Emery ("MWE"), prior counsel for Tech Traders, Inc., Tech Traders, Ltd. and Coyt E. Murray. Since the Court's April 1, 2004 freeze order, MWE has held over \$164,000 of Tech Traders' funds retainer and claimed that it is still owed over \$78,000 for outstanding Tech Traders' bills. Following a review of the underlying facts and circumstances, the Receiver negotiated a resolution in which MWE agreed to return over \$132,000 from the retainer funds to the Tech Traders receivership estate and apply the other approximately \$32,000 to its outstanding invoices. The Receiver has filed a pending motion requesting that the Court approve this settlement agreement.

30. Additionally, the Receiver has reached a settlement agreement with Marshall LaFar, the former Tech Traders' landlord. Mr. LaFar's rental property continues to house Tech Traders' computers and office equipment. Although the Receiver and Mr. LaFar previously

reached an agreement that Mr. LaFar would buy this equipment, disputes arose between the parties regarding some third-party claims to ownership of certain computer router equipment and the Receiver's deletion of the software from the computers. Consequently, the transaction was never consummated, the equipment remained in the Tech Traders premises in Gastonia, North Carolina, and Mr. LaFar asserted that he was entitled to additional rent. To reach closure on these issues, the Receiver has agreed to accept \$5,000 and a release of all claims from Mr. LaFar and, in return, Mr. LaFar will acquire Tech Traders' right, title and interest in and to all of the personal property in the Gastonia premises, as is and where is. A motion to approve the settlement agreement with Mr. LaFar is pending before the Court.

31. During this quarter, the Receiver pursued obligations owed to the receivership estate by parties who received loans from Tech Traders in 2003 and early 2004. The Receiver's counsel sent demand letters to these parties demanding repayment of the loan amounts owed to the estate plus interest. After sending these letters, the Receiver and his counsel communicated with these parties in an effort to recover these debts. Ultimately, the Receiver expects to recover approximately \$78,000 for the benefit of the receivership estate as a result of these efforts.

32. The Receiver and his counsel have continued to scrutinize the conduct of the brokerage firms through which certain Receivership Defendants traded futures contracts, including Man Financial Inc. and Rosenthal Collins Group. Specifically, the Receiver and his counsel have reviewed relevant materials, including compliance manuals, email correspondence, and trading information, which were provided in response to the Receiver's subpoenas. In addition, the Receiver's counsel has prepared for and participated in the depositions of one of the firms and an introducing broker.

E. Review of Defendants' Transactions

33. For the third quarter of 2006, the Applicants seek compensation for 1.90 hours of services related to reviewing the Receivership Defendants' transactions. The Receiver spent a very limited amount of time this quarter on these matters.

34. The Receiver and his counsel's services were limited to communicating with Man Financial regarding its document production in response to the Receiver's document subpoena, discussing with the CFTC various transactions involving the Receivership Defendants (including Tech Traders' payments to third parties), and communicating with the Receiver's accountant regarding the daily trading analyses for Tech Traders' trading accounts.

F. Discovery

35. During the third quarter of 2006, the Receiver and his counsel spent 20.40 hours on discovery-related matters. The Receiver's discovery efforts include:

- Serving document subpoenas on Defendant Firth's financial institutions, including NJM Bank and F&M Bank;
- Reviewing and analyzing Man Financial, Inc.'s document production produced in response to the Receiver's document subpoena; and
- Producing relevant documents to the CFTC.

G. Court Hearings and Preparation of Motions and Other Submissions

36. The Applicants seek compensation for 25.10 hours of services related to participating in court hearings and drafting motions and other submissions to the Court. During this quarter, the Receiver prepared for and participated in the September 7, 2006 hearing before Magistrate Judge Donio. To minimize costs to the receivership estate, the Receiver participated by telephone.

37. During this period, the Receiver also prepared and filed several pleadings, including the Receiver's Fifth Interim Report, a motion for authority to implement a creditor claim process, fee applications for the Receiver and his counsel, and a reply in support of the Receiver's motion to compel Defendant Firth's tax returns.

H. Sterling Investor Claims

38. During this quarter, the Receiver has spent considerable time contemplating the feasibility of a provisional distribution to the Sterling Tier 2 investors. The Receiver has determined to separately keep track of the services performed solely in connection with the Sterling investors. The Receiver is likely to spend considerable time on the claims of Sterling investors and determining whether a distribution to these investors is possible. In this quarter alone, the Receiver spent 33.25 hours (or \$9,132.50 of the total compensation sought) related to Sterling investors' claims.

39. At this time, the Receiver has distributed claim forms to Sterling investors and has received proofs of claim and supporting documentation from a number of these investors. He and his counsel are now in the process of following up with investors who failed to provide all of the requested information, along with those investors who failed to respond or otherwise acknowledge the Receiver's request for information. Once the Receiver determines that he has sufficient information from each investor, he will determine whether a provisional distribution can be made directly to these Tier 2 investors.

40. As previously discussed, the circumstances surrounding Sterling and their investors' claims have been complicated by the Woltzes' indictment by the U.S. Attorneys' Office. The possibility has been raised that third parties may have an interest in some portion of the Sterling funds that would otherwise be distributable to Sterling and their investors. In addition, the Sterling entities no longer appear to be actively involved with allowance of their

claims. Instead, the Receiver is dealing directly with their investors. The Receiver continues to work on sorting through the remaining Sterling issues. But if it appears that he cannot adequately resolve them within a reasonable period of time, he may propose an alternative means of completing the estate administration. The Receiver, for example, may conclude the administration of all other receivership issues and seek the Court's authority to escrow the Sterling entities' respective distribution shares until all Sterling issues can be resolved.

I. Reimbursement of Expenses

41. The Applicants seek reimbursement for a total of \$1,963.46 in expenses incurred from July 1, 2006 through September 30, 2006. During this period, the two largest expense categories were computerized legal research costs and photocopying charges. Computerized legal research costs were attributable to investigating defenses raised by Puttman & Teague, along with various legal theories discussed in the Receiver's memorandum in support of his motion to approve the settlement agreement with Puttman & Teague. The photocopying charges were incurred primarily for copying pleadings for service on parties of record. Other categories of expenses incurred were postage expenses, long-distance telephone charges, overnight delivery, and messenger charges. A summary of these expenses is included in Exhibit B to the Declaration of Stephen T. Bobo. A detailed breakdown of these expenses is also available should the Court or any party desire to review this information.

REASONABLENESS OF THE COMPENSATION REQUESTED

42. The amount of compensation sought for the third quarter of 2006 is significantly less than the amounts for previous quarters. This reflects a lower level of activity by the Receiver and his counsel because a number of labor-intensive tasks were completed in prior quarters. In addition, many of the services provided were at lower hourly rates. The Receiver

continues to attempt to keep the amount of compensation requested at a reasonable level through the efficient administration of the Receivership Defendants' estate.

43. As discussed above, a significant amount of the work performed by the Receiver and his counsel was for the exclusive benefit of investors at the Shasta and Sterling levels. Specifically, the Receiver and his counsel spent 72.95 hours during this quarter on settling the Shasta investors' claims against Shasta's former accountant, Puttman & Teague. These services were performed solely for the benefit of Shasta's investors and represent \$23,777.75 in compensation sought. The Receiver has therefore submitted a proposed order that authorizes him to use funds held for Shasta to pay the \$23,777.75.

44. Similarly, as discussed in paragraphs 38 through 40 above, the professional services provided in Category H, Sterling Investor Claims, are extraordinary in nature because the Receiver is attempting to verify those investors' own transactions with Sterling in addition to Sterling's transactions with Tech Traders. Such services are for the exclusive benefit of Sterling investors. As a result, the Receiver has submitted a proposed order that authorizes him to pay \$9,132.50 of the compensation requested from the funds held in the Tech Traders' reserve account for Sterling, with that amount to be apportioned pro rata among the allowed amounts of the respective Sterling claims.

45. During this quarter, the Receiver has relied primarily on one associate and one paralegal from Sachnoff & Weaver's litigation group to assist him in carrying out the Court's orders. Other attorneys and staff at Sachnoff & Weaver with expertise in insurance coverage and civil procedure have provided discrete services on behalf of the Receiver during this quarter. Finally, the Receiver has used a document clerk to help organize and manage the ongoing production of documents turned over by the Receivership Defendants and relevant third parties, including investors, brokerage firms, and banking institutions.

46. In routine matters, such as reviewing documents and drafting motions and reports to the Court, the Receiver continues to primarily rely upon a mid-level associate. The Receiver has relied upon another member of the firm to participate in relevant depositions and other more complex matters in the case. Of the total of 418.10 hours for which compensation is sought in this application, 200 hours, or approximately 48% of the total, were provided by the Receiver and other members of the firm. An associate provided 70.9 hours, which is approximately 17% of the total. A paralegal provided 75.5 hours, or over 18% of the total. Finally, a Litigation Document Clerk performed the remaining 71.7 hours at the significantly reduced rate of \$75 per hour.

47. The Receiver also continues to seek the assistance of the CFTC when appropriate. Specifically, the Receiver has looked to the CFTC for assistance in investigating certain transactions, uncovering assets in the possession, or under the control, of the Receivership Defendants, and reviewing information submitted by Sterling investors relating to their investments with Tech Traders. The Receiver's reliance on the CFTC for various tasks has helped to control the costs of this engagement.

48. The Receiver requests payment for his services at the discounted rate of \$350 per hour, which the Receiver believes to be justified in light of his experience in these types of matters. In addition, Sachnoff & Weaver continues to seek compensation for its attorneys and paralegals at a discount ranging from 5 to 9 percent of their customary hourly rates, instead of the straight 5 percent discount promised in the April 2004 motion to employ Sachnoff & Weaver. These discounted rates range from \$135.00 to \$425.00. Total time and fees sought for each attorney, paralegal and staff member are summarized in the following table:

<u>Timekeeper</u>	<u>Practice Group</u>	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Compensation Requested</u>
Stephen T. Bobo	Financial Services	162.10	\$350.00	\$56,735.00
Mark Hersh	Insurance Coverage	2.75	\$425.00	\$1,168.75
Michael Richman	Litigation	2.75	\$390.00	\$1,072.50
Bina Sanghavi	Litigation	32.40	\$350.00	\$11,340.00
Raven Moore	Litigation	70.90	\$220.00	\$15,598.00
Jennifer K. Fryer	Litigation Paralegal	75.50	\$135.00	\$10,192.50
Document Clerk	Litigation	71.70	\$75.00	<u>\$5,377.50</u>
FEE TOTAL				\$101,484.25

49. The Applicants have kept their time in tenths of an hour, or six-minute increments. To avoid charging for services that could be deemed excessive, duplicative or unnecessary, the Applicants do not seek compensation for strictly administrative or ministerial tasks.

50. Finally, the Applicants agreed to take on this matter with no assurance that funds would exist in the Receivership Defendants' estate to compensate for professional services rendered by the Applicants. Neither the Receiver nor Sachnoff & Weaver holds a retainer for the services that they continue to provide to the Receivership Defendants. The Applicants continue to act expeditiously in administering the receivership estate and investigating the affairs of the Receivership Defendants. For these reasons, the Applicants are deserving of the full amount of the compensation requested.

RELIEF REQUESTED

Based upon the amount of services provided, the skill required, and the results achieved to date, the Applicants submit that the compensation requested is justified and payment is appropriate.

WHEREFORE, the Applicants respectfully request that this Court enter an order:

1. Allowing interim compensation in the amount of \$101,484.25 to the Receiver and Sachnoff & Weaver for services provided and in the amount of \$1,963.46 for expenses incurred

and advanced from July 1, 2006 through September 30, 2006 and authorizing payment of those amounts from receivership funds as set forth below;

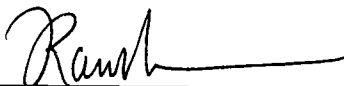
2. Authorizing the Receiver to use (a) the funds of the Tech Traders' estate to pay for the fees and expenses for the services relating to Tech Traders generally, which total \$68,574.00; (b) the funds held for Shasta to pay for the fees for work relating to the Teague settlement, which total \$23,777.75; and (c) the funds held (in Tech Traders' reserve account) for Sterling to pay the fees for work relating to Sterling, which total \$9,066.50 with that amount to be apportioned pro rata among the respective amounts of the Sterling claims, as ultimately allowed by the Court; and

3. Providing the Receiver and Sachnoff & Weaver such further relief as may be appropriate in these circumstances.

Respectfully submitted,

STEPHEN T. BOBO,
Equity Receiver and on behalf of Sachnoff &
Weaver, Ltd.

Stephen T. Bobo
Raven Moore
Sachnoff & Weaver, Ltd.
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By: 
One of his attorneys